

Message Text

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INFO AMEMBASSY OTTAWA PRIORITY
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E.O. 11652: N/A
TAGS: ECON, PGOV, CA
SUBJECT: PARIZEAU: CUSTOMS UNION ESSENTIAL, BUT NOT SO A MONETARY
UNION

1. SUMMARY: IN A REVEALING NEWSPAPER INTERVIEW, PQ FINANCE
MINISTER PARIZEAU CAME OUT STRONGLY FOR A CUSTOMS UNION BUT NOT
NECESSARILY A MONETARY UNION BETWEEN A SOVEREIGN QUEBEC AND THE
REST OF CANADA. HE ALSO TOOK A COUPLE OF SHOTS AT SOME COLLEAGUES,
NOTABLY CLAUDE MORIN AND RENE LEVESQUE. END SUMMARY.

2. IN AN UNUSUALLY FRANK INTERVIEW WITH LE DEVOIR POLITICAL
REPORTER JEAN-CLAUDE PICARD, FINANCE MINISTER JACQUES PARIZEAU
DISCUSSED FUTURE CANADA-QUEBEC ASSOCIATION, THE CURRENT
ECONOMIC PICTURE, AND HIS ROLE IN THE RECENT SALES TAX DISPUTE.
THE HIGHLIGHTS:

3. ASSOCIATION WITH CANADA: ACCORDING TO PARIZEAU, OF ALL FORMS
OF ECONOMIC ASSOCIATION WITH THE REST OF CANADA ONLY A CUSTOMS
UNION WITH ONTARIO IS AN ABSOLUTE NECESSITY FOR A SOVEREIGN
QUEBEC. "OTHER FORMS OF ECONOMIC ASSOCIATION, INCLUDING A
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MONETARY UNION, MAY COME ABOUT BUT ARE FAR FROM BEING INDIS-
PENSABLE TO THE CONOMIC SURVIVAL OF AN INDEPENDENT QUEBEC."
THE PROSPECT OF A MONETARY UNION IS REASSURING TO THE NERVOUS
AND WOULD AVOID THE COMPLICATIONS OF SETTING UP A SEPARATE
QUEBEC CURRENCY, BUT WOULD ALSO RESTRICT QUEBEC'S POLITICAL
AND ECONOMIC FREEDOM OF ACTION, PARIZEAU MAINTAINED. POLITICAL
SOVEREIGNTY SHOULD NOT BE LIMITED TO GOQ CONTROL OVER ITS OWN

REVENUES, BUT "MUST ALSO EXTEND TO TOTAL CONTROL BY QUEBEC OVER ALL INSTRUMENTS OF ECONOMIC DEVELOPMENT, INCLUDING MONETARY AND FISCAL POLICY." A CUSTOMS UNION WITH ONTARIO, HOWEVER, IS ESSENTIAL IN ORDER TO AVOID A "SUICIDAL" TARIFF WAR BETWEEN THE TWO PROVINCES. ALTHOUGH QUEBEC WOULD ADMITTEDLY BE MORE VULNERABLE THAN ONTARIO, PARIZEAU SAID, SUCH A WAR WOULD BE "TERRIBLE FOR BOTH PROVINCES--WOULD ONTARIO REJOICE IF QUEBEC HAD TWO ATOMIC BOMBS DROPPED ON IT WHILE ONTARIO HAD ONLY ONE?"

4. STATE OF THE ECONOMY: STATISTICS FOR MAY AND JUNE, PARIZEAU SAID, LED HIM TO FEEL "MODERATELY OPTIMISTIC" ABOUT AN UPTURN IN QUEBEC'S ECONOMY. "AFTER ALMOST TWO YEARS IN POWER, WE ARE BEGINNING TO SEE SOME LIGHT AT THE END OF THE TUNNEL." HIS OPTIMISM, HE SAID, WAS BASED ON THREE HOPEFUL SIGNS: A RISE IN EXPORTS IN THE CONSTRUCTION MATERIAL, PAPER, AND MINING SECTORS BROUGHT ABOUT BY THE DEVALUATION OF THE CANADIAN DOLLAR; A "CONSIDERABLE" INCREASE IN EMPLOYMENT IN THE MANUFACTURING SECTOR; AND A "SPECTACULAR" SURGE IN RETAIL SALES, UP 20 PERCENT OVER THE SAME PERIOD LAST YEAR, ACCORDING TO MINISTRY FIGURES. IN SPITE OF CONTINUING HIGH LEVELS OF UNEMPLOYMENT, THE QUEBEC ECONOMY HAS NOT SUFFERED THE KIND OF DRAMATIC COLLAPSE PREDICTED BY MANY AFTER THE ELECTION OF THE PQ. CERTAIN CIRCLES HAD HOPED FOR QUEBEC'S ECONOMIC COLLAPSE IN ORDER TO DISCREDIT THE PARTY, HE CONTINUED, AND SOME HAD CONCOCTED SCENARIOS FOR "ECONOMIC DESTABILIZATION." THESE PLANS HAD FAILED, WITH SOME EXCEPTIONS (HE MENTIONED THE SUN LIFE MOVE), BECAUSE LIMITED OFFICIAL USE

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COORDINATED POLITICAL ACTION BY BUSINESS INTERESTS IN QUEBEC'S COMPETITIVE ECONOMIC CIRCLES WAS CLOSE TO IMPOSSIBLE. PARIZEAU SAID THAT HIS GOVERNMENT HAD REESTABLISHED ITS CREDIBILITY IN INTERNATIONAL FINANCIAL CIRCLES THROUGH TWO YEARS OF BUDGETARY AUSTERITY. HE ADMITTED THAT RENE LEVESQUE'S 1977 SPEECH AT THE ECONOMIC CLUB IN NEW YORK HAD CAUSED CERTAIN "SEISMIC TREMORS" LEADING TO EXCESSIVE INTEREST RATES FOR QUEBEC LOANS, AND SAID THAT FOR THIS REASON THE GOQ HAD CONCENTRATED ITS BORROWING ON THE EUROPEAN RATHER THAN NEW YORK MARKET. THE GOVERNMENT IS NOW READY, HE SAID, TO TEST THE WATERS ON THE AMERICAN MARKET WITH A "SMALL LOAN" IN THE NEAR FUTURE.

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5. SALES TAX DISPUTE: PARIZEAU CLAIMED THAT QUEBEC HAD SCORED A VICTORY IN THE SALES TAX DISPUTE, ALTHOUGH SOME GROUND HAD BEEN LOST IN THE CONFUSION OF THE WANING DAYS OF THE QUARREL. HE ADMITTED THAT HIS LAST TWO LETTERS TO FEDERAL FINANCE MINISTER CHRETIEN HAD BEEN CONTRADICTIONARY, BUT DID NOT SAY WHY THIS HAD HAPPENED, OTHER THAN TO STATE THAT HE HAD "ACTED AS A GOOD SOLDIER." QUESTIONED ABOUT PRESS SPECULATION REGARDING DISAGREEMENT WITHIN THE CABINET ABOUT THE BEST TACTICS FOR FINISHING OFF THE DISPUTE (NOTABLY BETWEEN PARIZEAU AND RENE LEVESQUE HIMSELF), PARIZEAU ADMITTED FORTHRIGHTLY THAT THE PRESS REPORTS WERE "LARGELY CORRECT."

6. COMMENT: PARIZEAU'S UNUSUALLY FRANK COMMENTS ARE REVEALING ON SEVERAL FRONTS. HIS DISCOUNTING OF THE IMPORTANCE OF A MONETARY UNION RUNS COUNTER TO STATEMENTS MADE IN THE PAST FEW MONTHS BY BOTH CLAUDE MORIN AND LEVESQUE, STATEMENTS WHICH HAVE BEEN INTENDED TO MINIMIZE THE ECONOMIC DISLOCATIONS WHICH WOULD OCCUR UNDER A SOVEREIGN QUEBEC. IN HIS INTERVIEW PARIZEAU POINTEDLY EMPHASIZED HIS INDEPENDENTIST CREDENTIALS, SAYING THAT HIS VIEWS WERE IN COMPLETE ACCORDANCE WITH THE PQ MANIFESTO OF 1972, ADDING THAT HE INTENDED TO SPEAK OUT MORE FREQUENTLY

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IN THE FUTURE ON THE SUBSTANCE OF THE GOVERNMENT'S SOVEREIGNTY-ASSOCIATION PLANS. THIS, OF COURSE, PUTS HIM SQUARELY ON MORIN'S TURF. PARIZEAU'S OPEN ACKNOWLEDGEMENT OF A CABINET SPLIT ON THE SALES TAX ISSUE IS ALSO STARTLING. PARIZEAU WON ENORMOUS CREDIT WITHIN THE PARTY FOR HIS HANDLING OF THE DISPUTE, AT LEAST UNTIL THE LATER STAGES, AND THIS MAY HAVE TOUCHED A NERVE WITH THE PRIME MINISTER. IT IS INTERESTING THAT IN CLAUDE CHARRON'S RECENT ACCOUNT TO US OF THE "INNER CIRCLE" OF TOP LEVESQUE ADVISERS (QUEBEC 0220), CLAUDE MORIN'S NAME

APPEARS BUT NOT PARIZEAU'S.
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